

TOWNSHIP OF SODUS
Berrien County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2006

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Sodus	County Berrien
Audit Date March 31, 2006	Opinion Date May 25, 2006	Date Accountant Report Submitted to State: July 7, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State MI
Accountant Signature Campbell, Kusterer & Co., P.C.		Zip 48707	

TOWNSHIP OF SODUS
Berrien County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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May 25, 2006

INDEPENDENT AUDITOR'S REPORT

To the Township Board
Township of Sodus
Berrien County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Sodus, Berrien County, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Sodus's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Sodus, Berrien County, Michigan as of March 31, 2006 and the respective changes in financial position thereof, for the year ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF SODUS
Berrien County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2006

The Management's Discussion and Analysis report of the Township of Sodus covers the Township's financial performance during the year ended March 31, 2006.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2006, totaled \$1,373,526.50 for governmental activities. Overall total capital assets remained approximately the same.

Overall revenues were \$434,348.53 from governmental activities. Governmental activities had a \$13,894.56 decrease in net assets.

Taxable value was \$51,584,087.00.

We did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

This annual report consists of the basic financial statements and required supplementary information.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating. To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. These include the General Fund, the Road Fund and the Library Fund.

TOWNSHIP OF SODUS
Berrien County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2006

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental funds: Some of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund, the Road Fund, and the Library Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in governmental activities remains stable.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services. The most significant is funding the Fire Department.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$0 in capital assets.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very uncertain and it represents a significant portion of our income. We continue to grow in taxable values with little demand for infrastructure, except good roads.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is intended to provide our taxpayers, creditors and investors with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report, please contact the Township Clerk at 269-461-6448 or Township Treasurer at 269-926-6343. The Township Hall is located at 4056 King Drive, Sodus, Michigan. Office hours are Monday, Wednesday and Friday from 9:00 a.m. to 1:00 p.m.

TOWNSHIP OF SODUS
Berrien County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2006

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	1 140 496 26
Taxes receivable	17 372 05
Accounts receivable	<u>900 00</u>
Total Current Assets	<u>1 158 768 31</u>
NONCURRENT ASSETS:	
Capital Assets	817 978 80
Less: Accumulated Depreciation	<u>(600 010 63)</u>
Net Capital assets	<u>217 968 17</u>
TOTAL ASSETS	<u><u>1 376 736 48</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	<u>3 209 98</u>
Total Current Liabilities	<u>3 209 98</u>
NONCURRENT LIABILITIES	<u>-</u>
Total Noncurrent Liabilities	<u>-</u>
Total Liabilities	<u>3 209 98</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	217 968 17
Reserved for library	134 775 72
Unrestricted	<u>1 020 782 61</u>
Total Net Assets	<u>1 373 526 50</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>1 373 736 48</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SODUS
Berrien County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2006

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	5 092 00	-	(5 092 00)
General government	163 039 61	25 037 28	(138 002 33)
Public safety	107 417 50	18 864 53	(88 552 97)
Public works	124 937 56	-	(124 937 56)
Culture and recreation	41 106 58	20 044 27	(21 062 31)
Other	6 649 84	-	(6 649 84)
Total Governmental Activities	<u>448 243 09</u>	<u>63 946 08</u>	<u>(384 297 01)</u>
General Revenues:			
Property taxes			173 642 32
State revenue sharing			160 237 93
Interest			27 835 36
Miscellaneous			8 686 84
Total General Revenues			<u>370 402 45</u>
Change in net assets			(13 894 56)
Net assets, beginning of year			<u>1 387 421 06</u>
Net Assets, End of Year			<u>1 373 526 50</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SODUS
Berrien County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
March 31, 2006

	<u>General</u>	<u>Road</u>	<u>Library</u>	<u>Total</u>
<u>Assets</u>				
Cash in bank	499 646 21	479 316 29	160 462 83	1 139 425 33
Taxes receivable	10 120 60	5 198 59	2 052 86	17 372 05
Accounts receivable	900 00	-	-	900 00
Due from other funds	<u>1 070 93</u>	<u>-</u>	<u>-</u>	<u>1 070 93</u>
Total Assets	<u>511 737 74</u>	<u>484 514 88</u>	<u>162 515 69</u>	<u>1 158 768 31</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Accounts payable	<u>3 209 98</u>	<u>-</u>	<u>-</u>	<u>3 209 98</u>
Total liabilities	<u>3 209 98</u>	<u>-</u>	<u>-</u>	<u>3 209 98</u>
Fund equity:				
Fund balances:				
Reserved for library capital improvements	-	-	119 488 78	119 488 78
Reserved for library memorials	-	-	15 286 94	15 286 94
Unreserved:				
Undesignated	<u>508 527 76</u>	<u>484 514 88</u>	<u>27 739 97</u>	<u>1 020 782 61</u>
Total fund equity	<u>508 527 76</u>	<u>484 514 88</u>	<u>162 515 69</u>	<u>1 155 558 33</u>
Total Liabilities and Fund Equity	<u>511 737 74</u>	<u>484 514 88</u>	<u>162 515 69</u>	<u>1 158 768 31</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SODUS
Berrien County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
March 31, 2006

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS 1 155 558 33

Amounts reported for governmental activities in the statement of
net assets are different because –

Capital assets used in governmental activities are not financial resources and
therefore are not reported in the governmental funds balance sheet:

Capital assets at cost	817 978 80
Accumulated depreciation	<u>(600 010 63)</u>

TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES 1 373 526 50

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SODUS
Berrien County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year ended March 31, 2006

	<u>General</u>	<u>Road</u>	<u>Library</u>	<u>Total</u>
Revenues:				
Property taxes	101 160 52	51 961 43	20 520 37	173 642 32
Licenses and permits	23 774 31	-	-	23 774 31
State revenue sharing	159 307 35	-	930 58	160 237 93
Charges for services	20 127 50	-	-	20 127 50
Penal fines	-	-	20 044 27	20 044 27
Interest	15 516 58	8 441 29	3 877 49	27 835 36
Miscellaneous	<u>7 793 81</u>	<u>-</u>	<u>893 03</u>	<u>8 686 84</u>
Total revenues	<u>327 680 07</u>	<u>60 402 72</u>	<u>46 265 74</u>	<u>434 348 53</u>
Expenditures:				
Legislative:				
Township Board	5 092 00	-	-	5 092 00
General government:				
Supervisor	11 711 66	-	-	11 711 66
Elections	729 58	-	-	729 58
Assessor	24 459 01	-	-	24 459 01
Clerk	12 731 00	-	-	12 731 00
Board of Review	1 125 00	-	-	1 125 00
Treasurer	12 136 00	-	-	12 136 00
Building and grounds	2 530 94	-	-	2 530 94
Cemetery	23 561 07	-	-	23 561 07
Unallocated	72 445 74	-	-	72 445 74
Public safety:				
Police protection	8 671 12	-	-	8 671 12
Code enforcement	2 828 71	-	-	2 828 71
Fire protection	33 889 23	-	-	33 889 23
Ambulance	12 299 00	-	-	12 299 00
Protective inspection	18 171 59	-	-	18 171 59
Planning Commission	4 498 75	-	-	4 498 75
Public works:				
Highways and streets	-	111 712 88	-	111 712 88
Street lights	6 011 64	-	-	6 011 64
Drains	1 914 37	-	-	1 914 37
Culture and recreation:				
Parks	3 173 39	-	-	3 173 39
Library	-	-	37 198 52	37 198 52
Other functions:				
Social security	<u>6 649 84</u>	<u>-</u>	<u>-</u>	<u>6 649 84</u>
Total expenditures	<u>264 629 64</u>	<u>111 712 88</u>	<u>37 198 52</u>	<u>413 541 04</u>
Excess (deficiency) of revenues over expenditures	<u>63 050 43</u>	<u>(51 310 16)</u>	<u>9 067 22</u>	<u>20 807 49</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SODUS
Berrien County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year ended March 31, 2006

	<u>General</u>	<u>Road</u>	<u>Library</u>	<u>Total</u>
Other financing sources (uses):				
Operating transfers in	-	-	3 500 00	3 500 00
Operating transfers out	(3 500 00)	-	-	(3 500 00)
Total other financing sources (uses)	(3 500 00)	-	3 500 00	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	59 550 43	(51 310 16)	12 567 22	20 807 49
Fund balances, April 1	448 977 33	535 825 04	149 948 47	1 134 750 84
Fund Balances, March 31	<u>508 527 76</u>	<u>484 514 88</u>	<u>162 515 69</u>	<u>1 155 558 33</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SODUS
Berrien County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended March 31, 2006

NET CHANGES IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 20 807 49

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(34 702 05)
Capital Outlay	<u>-</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>(13 894 56)</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SODUS
Berrien County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Sodus, Berrien County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Sodus. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF SODUS
Berrien County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Funds

The Current Tax Collection Fund and the Agency Fund are used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2005 tax roll millage rate was 3.342 mills, and the taxable value was \$51,584,087.00.

TOWNSHIP OF SODUS
Berrien County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$3,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	15-30 years
Equipment	5-10 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

TOWNSHIP OF SODUS
Berrien County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated two banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>1 140 496 26</u>

TOWNSHIP OF SODUS
Berrien County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Note 3 – Deposits and Investments (continued)

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	240 000 00
Uninsured and Uncollateralized	<u>930 297 08</u>
Total Deposits	<u><u>1 170 297 08</u></u>

The Township of Sodus did not have any investments as of March 31, 2006.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	<u>Balance 4/1/05</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/06</u>
<u>Governmental Activities:</u>				
Land	42 351 91	-	-	42 351 91
Buildings and improvements	383 842 30	-	-	383 842 30
Equipment	<u>414 924 53</u>	<u>-</u>	<u>(23 139 94)</u>	<u>391 784 59</u>
Total	841 118 74	-	(23 139 94)	817 978 80
Accumulated Depreciation	<u>(588 448 52)</u>	<u>(34 702 05)</u>	<u>23 139 94</u>	<u>(600 010 63)</u>
Net Capital Assets	<u><u>252 670 22</u></u>	<u><u>(34 702 05)</u></u>	<u>-</u>	<u><u>217 968 17</u></u>

Note 5 – Pension Plan

The Township does not have a pension plan.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

As of March 31, 2006, the Township had building permit revenues of \$18,864.53 and building permit expenses of \$18,171.59.

TOWNSHIP OF SODUS
Berrien County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Note 9 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	573 15	Agency	573 15
General	<u>497 78</u>	Current Tax Collection	<u>497 78</u>
Total	<u>1 070 93</u>	Total	<u>1 070 93</u>

Note 10 – Operating Transfers

The amounts of interfund transfers are as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
Library	<u>3 500 00</u>	General	<u>3 500 00</u>
Total	<u>3 500 00</u>	Total	<u>3 500 00</u>

TOWNSHIP OF SODUS
Berrien County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	107 500 00	142 000 00	101 160 52	(40 839 48)
Licenses and permits	22 400 00	33 400 00	23 774 31	(9 625 69)
State revenue sharing	155 000 00	155 000 00	159 307 35	4 307 35
Charges for services	-	-	20 127 50	20 127 50
Interest	3 200 00	10 200 00	15 516 58	5 316 58
Miscellaneous	-	-	7 793 81	7 793 81
Total revenues	288 100 00	340 600 00	327 680 07	(12 919 93)
Expenditures:				
Legislative:				
Township Board	7 560 00	6 600 00	5 092 00	(1 508 00)
General government:				
Supervisor	16 980 00	14 900 00	11 711 66	(3 188 34)
Elections	400 00	800 00	729 58	(70 42)
Assessor	24 000 00	24 800 00	24 459 01	(340 99)
Clerk	18 900 00	16 000 00	12 731 00	(3 269 00)
Board of Review	1 260 00	1 600 00	1 125 00	(475 00)
Treasurer	17 640 00	15 400 00	12 136 00	(3 264 00)
Building and grounds	6 700 00	6 700 00	2 530 94	(4 169 06)
Cemetery	32 120 00	29 400 00	23 561 07	(5 838 93)
Unallocated	82 470 00	80 900 00	72 445 74	(8 454 26)
Public safety:				
Police protection	14 520 00	10 900 00	8 671 12	(2 228 88)
Code enforcement	-	3 000 00	2 878 71	(171 29)
Fire protection	45 120 00	42 600 00	33 889 23	(8 710 77)
Ambulance	12 300 00	12 300 00	12 299 00	(1 00)
Protective inspection	8 800 00	19 800 00	18 171 59	(1 628 41)
Planning Commission	7 580 00	7 100 00	4 498 75	(2 601 25)
Public works:				
Street lights	5 200 00	6 600 00	6 011 64	(588 36)
Drains	3 600 00	3 600 00	1 914 37	(1 685 63)
Culture and recreation:				
Parks	3 300 00	3 300 00	3 173 39	(126 61)
Other functions:				
Social security	10 000 00	10 000 00	6 479 84	(3 350 16)
Contingency	252 650 00	303 650 00	-	(303 650 00)
Capital outlay	20 000 00	20 000 00	-	(20 000 00)
Total expenditures	591 100 00	639 950 00	264 629 64	(375 320 36)
Excess (deficiency) of revenues over expenditures	(303 000 00)	(299 350 00)	63 050 43	362 400 43

TOWNSHIP OF SODUS
Berrien County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	(3 650 00)	(3 500 00)	150 00
Total other financing sources (uses)	-	(3 650 00)	(3 500 00)	150 00
Excess (deficiency) of revenues and other sources over expenditures and other uses	(303 000 00)	(303 000 00)	59 550 43	362 550 43
Fund balance, April 1	303 000 00	303 000 00	448 977 33	145 977 33
Fund Balance, March 31	-	-	508 527 76	508 527 76

TOWNSHIP OF SODUS
Berrien County, Michigan

BUDGETARY COMPARISON SCHEDULE – ROAD FUND
Year ended March 31, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	-	-	51 961 43	51 961 43
Interest	-	-	8 441 29	8 441 29
Total revenues	-	-	60 402 72	60 402 72
Expenditures:				
Public works:				
Highways and streets	505 000 00	505 000 00	111 712 88	(393 287 12)
Total expenditures	505 000 00	505 000 00	111 712 88	(393 287 12)
Excess (deficiency) of revenues over expenditures	(505 000 00)	(505 000 00)	(51 310 16)	453 689 84
Fund balance, April 1	505 000 00	505 000 00	535 825 04	30 825 04
Fund Balance, March 31	-	-	484 514 88	484 514 88

TOWNSHIP OF SODUS
Berrien County, Michigan

BUDGETARY COMPARISON SCHEDULE – LIBRARY FUND
Year ended March 31, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	19 000 00	20 000 00	20 520 37	520 37
State revenue sharing	1 000 00	950 00	930 58	(19 42)
Penal fines	20 000 00	20 000 00	20 044 27	44 27
Interest	-	-	3 877 49	3 877 49
Miscellaneous	700 00	800 00	893 03	93 03
Total revenues	<u>40 700 00</u>	<u>41 750 00</u>	<u>46 265 74</u>	<u>4 515 74</u>
Expenditures:				
Culture and recreation:				
Library	<u>49 500 00</u>	<u>49 750 00</u>	<u>37 198 52</u>	<u>(12 551 48)</u>
Total expenditures	<u>49 500 00</u>	<u>49 750 00</u>	<u>37 198 52</u>	<u>(12 551 48)</u>
Excess (deficiency) of revenues over expenditures	<u>(8 800 00)</u>	<u>(8 000 00)</u>	<u>9 067 22</u>	<u>17 067 22</u>
Other financing sources (uses):				
Operating transfers in	<u>3 500 00</u>	<u>3 500 00</u>	<u>3 500 00</u>	<u>-</u>
Total other financing sources (uses)	<u>3 500 00</u>	<u>3 500 00</u>	<u>3 500 00</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(5 300 00)</u>	<u>(4 500 00)</u>	<u>12 567 22</u>	<u>17 067 22</u>
Fund balance, April 1	<u>26 000 00</u>	<u>26 000 00</u>	<u>149 948 47</u>	<u>123 948 47</u>
Fund Balance, March 31	<u>20 700 00</u>	<u>21 500 00</u>	<u>162 515 69</u>	<u>141 015 69</u>

TOWNSHIP OF SODUS
Berrien County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2006

Township Board:	
Fees and per diem	<u>5 092 00</u>
Supervisor:	
Salary	11 330 00
Telephone	<u>381 66</u>
	<u>11 711 66</u>
Elections	<u>729 58</u>
Assessor:	
Contracted services	21 802 91
Supplies	<u>2 656 10</u>
	<u>24 459 01</u>
Clerk:	
Salary	<u>12 731 00</u>
Board of Review:	
Wages	<u>1 125 00</u>
Treasurer:	
Salary	<u>12 136 00</u>
Building and grounds:	
Supplies	317 52
Repairs and maintenance	<u>2 213 42</u>
	<u>2 530 94</u>
Cemetery:	
Wages	15 012 90
Supplies	88 50
Opening and closing graves	7 700 00
Equipment maintenance and repairs	<u>759 67</u>
	<u>23 561 07</u>
Unallocated:	
Wages	6 380 20
Legal	8 153 00
Supplies	7 134 04
Printing and publishing	1 939 15
Dues and conferences	1 731 96
Contracted services	10 948 84
Audit and accounting	3 000 00
Insurance	27 235 00
Sanitation	1 106 00
Telephone	1 126 57
Utilities	270 13
Miscellaneous	3 370 85
Repairs and maintenance	<u>50 00</u>
	<u>72 445 74</u>

TOWNSHIP OF SODUS
Berrien County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2006

Police protection:	
Wages	5 890 66
Supplies	164 24
Repairs and maintenance	1 523 00
Miscellaneous	1 093 22
Code enforcement	2 828 71
	<u>11 499.83</u>
Fire protection:	
Salaries and wages	14 387 00
Operating supplies	6 593 00
Maintenance and repairs	5 158 26
Telephone	542 89
Utilities	4 423 52
Insurance	1 513 38
Miscellaneous	1 271 18
	<u>33 889 23</u>
Ambulance	<u>12 299 00</u>
Protective inspection:	
Contracted services	17 764 53
Miscellaneous	407 06
	<u>18 171 59</u>
Planning Commission:	
Wages	2 840 75
Contracted services	1 260 00
Supplies	398 00
	<u>4 498 75</u>
Street lighting:	
Utilities	<u>6 011 64</u>
Drains	<u>1 914 37</u>
Parks	<u>3 173 39</u>
Social security	<u>6 649 84</u>
Total Expenditures	<u>264 629 64</u>

TOWNSHIP OF SODUS
Berrien County, Michigan

COMBINING BALANCE SHEET – ALL SPECIAL REVENUE FUNDS
March 31, 2006

<u>Assets</u>	<u>Road</u>	<u>Library</u>	<u>Total</u>
Cash in bank	479 316 29	160 462 83	639 779 12
Taxes receivable	<u>5 198 59</u>	<u>2 052 86</u>	<u>7 251 45</u>
Total Assets	<u>484 514 88</u>	<u>162 515 69</u>	<u>647 030 57</u>
<u>Liabilities and Fund Balances</u>			
Liabilities	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:			
Reserved for library capital improvements	-	119 488 78	119 488 78
Reserved for library memorials	-	15 286 94	15 286 94
Unreserved:			
Undesignated	<u>484 514 88</u>	<u>27 739 97</u>	<u>512 254 85</u>
Total fund balances	<u>484 514 88</u>	<u>162 515 69</u>	<u>647 030 57</u>
Total Liabilities and Fund Balances	<u>484 514 88</u>	<u>162 515 69</u>	<u>647 030 57</u>

TOWNSHIP OF SODUS
Berrien County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
ALL SPECIAL REVENUE FUNDS
Year ended March 31, 2006

	<u>Road</u>	<u>Library</u>	<u>Total</u>
Revenues:			
Property taxes	51 961 43	20 520 37	74 481 80
State revenue sharing	-	930 58	930 58
Penal fines	-	20 044 27	20 044 27
Interest	8 441 29	3 877 49	12 318 78
Miscellaneous	-	893 03	893 03
Total revenues	<u>60 402 72</u>	<u>46 265 74</u>	<u>106 668 46</u>
Expenditures:			
Public works:			
Highways and streets	111 712 88	-	111 712 88
Recreation and culture- library			
Salaries	-	15 544 28	15 544 28
Payroll taxes	-	1 189 72	1 189 72
Periodicals	-	618 75	618 75
Supplies	-	5 336 00	5 336 00
Dues	-	962 64	962 64
Telephone	-	1 235 48	1 235 48
Utilities	-	3 441 14	3 441 14
Repairs and maintenance	-	2 598 16	2 598 16
Books	-	4 898 23	4 898 23
Miscellaneous	-	1 374 12	1 374 12
Total expenditures	<u>111 712 88</u>	<u>37 198 52</u>	<u>148 911 40</u>
Excess (deficiency) of revenues over expenditures	<u>(51 310 16)</u>	<u>9 067 22</u>	<u>(42 242 94)</u>
Other financing sources (uses):			
Operating transfers in	-	3 500 00	3 500 00
Operating transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>3 500 00</u>	<u>3 500 00</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(51 310 16)</u>	<u>12 567 22</u>	<u>(38 742 94)</u>
Fund balances, April 1	<u>535 825 04</u>	<u>149 948 47</u>	<u>685 773 51</u>
Fund Balances, March 31	<u><u>484 514 88</u></u>	<u><u>162 515 69</u></u>	<u><u>647 030 57</u></u>

TOWNSHIP OF SODUS
Berrien County, Michigan

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES – ALL AGENCY FUNDS
Year ended March 31, 2006

	<u>Balance</u> <u>4/1/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/06</u>
<u>CURRENT TAX COLLECTION FUND</u>				
<u>Assets</u>				
Cash in Bank	<u>392 42</u>	<u>706 692 59</u>	<u>706 578 23</u>	<u>497 78</u>
<u>Liabilities</u>				
Due to other funds	392 42	157 078 13	156 972 77	497 78
Due to others	-	<u>549 605 46</u>	<u>549 605 46</u>	-
Total Liabilities	<u>392 42</u>	<u>706 683 59</u>	<u>706 578 23</u>	<u>497 78</u>
<u>AGENCY FUND</u>				
<u>Assets</u>				
Cash in Bank	<u>6 032 88</u>	<u>6 871 01</u>	<u>6 927 18</u>	<u>5 976 71</u>
<u>Liabilities</u>				
Due to other funds	371 32	2 640 01	2 438 18	573 15
Due to others	<u>5 661 56</u>	<u>4 231 00</u>	<u>4 489 00</u>	<u>5 403 56</u>
Total Liabilities	<u>6 032 88</u>	<u>6 871 01</u>	<u>6 297 18</u>	<u>5 976 71</u>
<u>TOTALS – ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash in Bank	<u>6 425 30</u>	<u>713 554 60</u>	<u>713 505 41</u>	<u>6 474 49</u>
<u>Liabilities</u>				
Due to other funds	763 74	159 718 14	159 410 95	1 070 93
Due to others	<u>5 661 56</u>	<u>553 836 46</u>	<u>554 094 46</u>	<u>5 403 56</u>
Total Liabilities	<u>6 425 30</u>	<u>713 554 60</u>	<u>713 505 41</u>	<u>6 474 49</u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

May 25, 2006

To the Township Board
Township of Sodus
Berrien County, Michigan

We have audited the financial statements of the Township of Sodus for the year ended March 31, 2006. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Sodus in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Sodus
Berrien County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2006.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants